

Fred Sullivan
Chairman

Janine L. Burke
Executive Director



Scott Avedisian
Mayor

Warwick Sewer Authority
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Board Meeting Minutes

Thursday, April 21, 2011, 5:30 p.m.
Warwick Sewer Authority Conference Room
125 Arthur W. Devine Boulevard
Warwick, RI 02886

Board Members in attendance:	Board Members not present:
Aaron Guckian, Secretary	Fred Sullivan, Chairman
Gary Jarvis	
Peter Ginaitt	Guests:
Steven Sylven, P.E.	Dave Bebyn, B & E Consulting, LLC
	Ernie Zmyslinski, Finance Director
	Chamber of Commerce representatives
	Mr. Roy Dempsey
	Mr. Richard Langseth
Staff present:	
Janine L. Burke, Executive Director	Lynda Ortiz, Customer Service Manager
Lynn F. Owens, Administrative Coordinator	

1. Call to Order At 5:34 p.m. Secretary Aaron Guckian called this meeting to order.

2. Approval of Minutes

a. Approval of minutes from the regular meeting held April 14, 2011.

ACTION: Mr. Sylven moved approval of the minutes. Mr. Jarvis seconded the motion. Messrs. Guckian, Sylven and Jarvis voted in favor of the motion. Mr. Ginaitt unavailable for vote. Motion approved.

3. Billing Services Division

a. Proposed Sewer Usage Rate Schedule and Fee Structure

ACTION: Director Burke stated this is a public workshop to review the latest sewer usage Rate Study and budget for fiscal year ending June 30, 2012. She said that Dave Bebyn has been working down to the wire to complete this revised rate study and that she was getting this information at the same time as the Board members.

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Mr. Dave Bebyn, B & E Consulting, LLC, reviewed with the Board the revised draft Rate Study which included the following recommendations:

- Restructure sewer usage bills and create new charges that are more closely associated with the actual cost of providing those services (i.e., billing and administration charges, debt service charges, capital renewal and replacement charges, and treatment charges based on flows (more transparent cost allocation));
- Relate service charges to demand, with the flat fee varying according to water meter size. This would mostly affect commercial and large residential customers who are currently paying the same service charge as a single-family residence (more equitable cost allocation);
- Assess the capital and debt service charges across all users with sewer service availability. B&E is calling this a "Connect Capable Fee" which is authorized by Section 2.9 of WSA's enabling legislation, in the amount of \$255 annually (benefits allocation);
- Increase fixed charges to cover fixed costs but decrease usage charges, which are based on variable treatment-based costs.

Following review of the revised draft Rate Study, B&E was directed to make a few more changes to incorporate the latest figures for how much the sewer fund owes the City's general fund as well as make some adjustments to future capital projects. The draft FY12 budget includes a payment to the City of \$1,450,000. The Rate Study is recommending similar payments to the General Fund over the course of five years.

If WSA implements B&E's draft recommendations including the Connect Capable Fee, the consultant has estimated that both residential and smaller commercial accounts will see a small decrease in their sewer usage bills in the first year. Over the entire five (5) years of the study, B&E has estimated that the average residential user will end up paying about \$30 more or about \$6 per year. Without the Connect Capable Fee, the average residential user bill will have to increase by 5% with slightly higher increases for commercial accounts.

Please note that consent of the Mayor and the City Council is required to establish the Connect Capable Fee.

WSA will present the proposed new rate structure and rates to its ratepayers and the public on Thursday, May 19th at 6:00 p.m. in Warwick City Hall Council Chambers. The WSA Board of Directors will take action on the new rate structure and rates at its regular business meeting on Thursday, May 26th at 5:30 p.m.

Mr. Ginaitt stated WSA must seriously address funding the renewal and replacement account to sustain this huge operation in order to deliver the service to the citizens of Warwick as intended. Director Burke stated a budget is a statement of priorities and up until now WSA hadn't budgeted any money for that. She stated the budget didn't reflect what our priorities need to be; repayment to the City and investing in our capital.

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The Board members discussed the connect capable fee and the need for City Council support in order to pay back the City for past operating debt. Director Burke stated she was pleased with the effort put into the study.

b. FY 2011-2012 Budget 80: Operations, Maintenance and Administration

ACTION: Director Burke reviewed the submitted budget in detail with the Board. She stated some of the budget line items must be updated, including salaries, insurance and administrative costs from City Hall. She stated regarding debt service, the \$10,000 noted for renewal and replacement satisfies our statutory requirement, but is significantly underfunded. She stated a detailed list of capital expenditures is available for review and includes the purchase of a truck, a macerator and new equipment at the Cedar Swamp pumping station.

Director Burke stated the revenue projections for FY2012 are based on anticipated revenue for FY 2011, according to Dave Bebyn. Mr. Sylven suggested staff consider increasing certain fees, such as engineering review fees (based on level of effort) and sewer line administration fees. The Board discussed the Lamar sign money and potential revenue from wind towers. Director Burke stated the Planning Department is coordinating a wind study and WSA is one of the selected sites.

c. Discussion with City of Warwick Finance Director regarding WSA debt to City of Warwick.

ACTION: Mr. Ernie Zmyslinski stated ideally if the WSA were a self-supporting enterprise fund, you wouldn't need any assistance from the City. He stated clearly that's not the case but the Board is developing a plan to get to that point. He stated basically, to pay your bills, the City upfronts funds; the amount the City has to upfront can vary from month to month depending on the time. He stated, quite frankly, there's no way the WSA could pay the principal and debt payment to SRF in September, unless you had millions in reserves. He stated on June 30, 2009, the City had advanced WSA \$6.2 million to pay bills. He stated as of June 30, 2010, the amount is \$7.6 million. Mr. Zmyslinski stated with the proposal that you've presented, the ability to reduce the reliance on the City would be great. He said if you could do that for five years, then WSA could be in a situation where at the end of the year, the amount that the City would upfront the WSA would be minimal. He said the City would still have to upfront funds, especially during times when the SRF debt is due. He said it didn't get to this point overnight, and certainly it's not going to be corrected overnight. Mr. Zmyslinski stated it's a good plan to start to budget a repayment to the City. He said in the sixth year you could take those budgeted funds and start to build your renewal and replacement fund.

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Mr. Ginaitt asked that WSA document this plan so future WSA Board members and staff understand the long range objective to build a renewal and replacement fund to invest in our aging infrastructure. Director Burke suggested WSA put the repayment schedule in writing to the City, agreeing to an annual payment spread out over the term.

Mr. Jarvis asked if there is a mechanism to offset the debt service in consideration of assessments that have been deferred on city owned property. Director Burke stated there are approximately \$3 million in assessment dollars in deferral for city owned property. Mr. Zmyslinski stated there was a time when the City was paying the debt service (interest) for the WSA; the deferral of sewer assessments on city property may have been authorized in response to the City not asking WSA to repay those interest payments. He said it seems like the Board is being very responsible, trying to move forward; it seems like you have a good path to follow, one where you will be more reliant on your own resources and the City would be there for the times when cash flow would be a problem. He said the Board is doing the appropriate things and your rate consultant is giving you options to move forward.

4. Adjournment

Director Burke stated we will make some final changes to the rate study and the budget and she will send the final numbers to the Board. The public hearing to consider rates will be scheduled for Thursday, May 19, 2011. The Board can take action on the rate changes at its next regular meeting scheduled for May 26, 2011. The budget will be presented to the City Council on June 2, 2011.

Mr. Jarvis asked that the rate study be sent to the City Council prior to the public hearing, advising them that WSA is basing the rates on the creation of a connect capable fee. He stated I don't want to surprise the City Council with this information. Director Burke will send the revised rate study to the Council President and seek his guidance on the distribution of information to the other members of the Council.

No public comment was allowed as this was a special workshop meeting.

Mr. Jarvis made a motion to adjourn. Mr. Sylven seconded the motion. Messrs. Ginaitt, Sylven and Jarvis voted in favor of the motion. Mr. Guckian unavailable for vote. Motion approved.

At 7:01 p.m. this meeting ended.

Aaron Guckian, Secretary

Date